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ANNEXES TO DOCUMENTS

342/73, 378/73, 379/73,
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A. OPINION OF THE COMMITTEE ON ECONOMIC AND MONETARY
AFFAIRS

B. OPINION OF THE COMMITTEE ON AGRICULTURE

on the proposals from the Commission of the European Communities to the
Council (Doc. 4/72) for directives on excise duties and equivalent taxes



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A. Opinion of the Committee on Economic and Monetary Affairs

Draftsman of the opinion : Mr Walter LÖHR

On 19 May 1972 the Economic Affairs Committee appointed Mr LÖHR draftsman of the opinion.

The opinion was considered by the committee at its meetings of 14 September, 29 September, 26 October, 9 November and 7 December 1972 and adopted unanimously with two abstentions.

The following were present : Mr Lange, Chairman; Mr Bos, Vice-Chairman; Mr LÖhr, draftsman of the opinion; Mr Antoniozzi, Mr Artzinger, Mr Berkhouwer, Mr Berthoin, Mr Burgbacher, Mr Dubois, Mr Hougardy, Miss Lulling, Mr Mitterdorfer, Mr Riedel, Mr Romualdi and Mr Wolfram.

1. In making any economic assessment of consumer taxes, the main consideration is the economic and, above all, fiscal effect of such taxes. Here the question of who is to bear the burden of taxation is of prime importance. Any consumer tax must necessarily affect the consumer's income, even if, because of the particular form of taxation adopted, it is paid not by the consumer directly but by the producer or supplier of the goods on which it is levied.

2. The Economic Affairs Committee notes the Commission's new proposals with satisfaction. It has always considered, and more than once requested, that the economic arguments in favour of harmonizing turnover taxes in the Community should apply even more forcefully to the harmonization of excise duties (on mineral oils, manufactured tobacco and alcohol).

It regrets, however, that the final date fixed for Member States' harmonization of excise structures is 1 January 1974. Had the harmonization of turnover taxes been more closely coordinated with that of excise duties and equivalent taxes, more rapid progress could have been made in the latter sector.

3. While harmonization is neither an end in itself nor a precondition for establishing the common market, it is nevertheless essential if the tax system is to function properly, and it makes sense only as part of an overall harmonization of tax policy. In other words, the problem of dividing the tax burden in Member States between direct and indirect taxation will have to be faced at some stage.

4. At the present time the Economic Affairs Committee would strongly emphasize the necessary connection between the harmonization of value-added tax and that of excise duties and equivalent taxes. One of the aims of the harmonization (of the structure and rates) of turnover tax is the removal of tax barriers. If removal is to be complete, however, it must also apply to excise duties, which are nothing but an extension of turnover tax. The proposed harmonization of tax structure in this field can be no more than an initial step towards a more comprehensive approximation of rates.

5. The general introduction of value-added tax will ensure that taxation has a neutral effect on foreign trade and the various stages of production and distribution, but it will not bring about the removal of tax barriers, which is an essential requirement for the free movement of goods. If this is to be achieved, the process of harmonization must be accompanied by parallel progress with regard to indirect taxes other than turnover tax. Steps should accordingly be taken to ensure that Member States cannot get around the harmonization of value-added tax by partially substituting unharmonized indirect taxes, thereby counteracting progress made towards the

free movement of goods and freer competition.

6. The Economic Affairs Committee would stress that harmonization of excise duties is closely related to policy on energy, agriculture and social affairs. However, Community solutions for all aspects of these policies do not always exist.

7. The committee wonders whether it would not be advisable to distinguish certain minor excise duties from the more important ones which the Commission intends to harmonize, and to consider the question of their retention or abolition.

One argument against retaining them is the small yield. Furthermore, their harmonization would involve the introduction of similar taxes in various Member States.

On the other hand, the retention of minor excise duties would make it possible to vary the tax on certain products according to their revenue potential, while abolition would result in a higher rate of value-added tax and an additional burden on the economy.

In the interests of the economy as a whole, such burdens should preferably fall on products best able to bear them.

Furthermore, the connection between lesser and more important excise duties would make the whole tax system more flexible. If additional revenue were required, it would be easy to act on the whole system without disturbing the economy in general.

The committee wonders whether harmonization absolutely requires the introduction of new taxes on certain products hitherto free from tax (e.g. wine, in certain countries). It would, however, seem inadvisable to subject similar products like wine, beer and spirits to different taxation.

Contrary to what the European Commission proposes, the Economic Affairs Committee recommends that excise duties should in future be limited to mineral oils, manufactured tobacco and alcohol.

8. The Commission's text would be clearer if the last sub-paragraph of paragraph 1 on page 4, Chapter II, Section II, read as follows:

"In making this choice, account should also be taken of the view prevalent in the Member States that excise duties ought not to be levied on essential products."

9. The provisions envisaged for implementing the proposed Council decision establishing a "Committee on Excise Duties" do not include consultation of Parliament (p. 95).

Furthermore, Article 2(2) (p. 95) restricts the committee's terms of reference to procedural matters, to the exclusion of any immediate practical problems. Such problems would still be dealt with by the Commission or the Council.

B. Opinion of the Committee on Agriculture

1. on the proposal from the Commission of the European Communities to the Council (Doc. 4/72-II) for a directive on the harmonization of excise duties on alcohol

Draftsman of the opinion : Mr Jean DURIEUX

On 14 June 1973 the Committee on Agriculture appointed Mr DURIEUX draftsman of the opinion.

The opinion was considered by the committee at its meeting of 21 and 22 February 1974 and adopted unanimously with one abstention.

The following were present : Mr Vetrone, Vice-chairman and acting chairman; Mr Durieux, draftsman of the opinion; Mr Frehsee, Mr Früh, Mr Héger, Mr John Hill, Mr de Koning, Mr Liogier, Miss Lulling and Lord St. Oswald.

Directive on the harmonization of excise duties on alcohol

1. This proposed directive is one of a series on the harmonization of excise duties and equivalent taxes. Its object is to establish neutral conditions of competition in this sector within the common market and to abolish import levies and export rebates as well as frontier controls. The first stage in this process is to harmonize tax structures. The second will be to harmonize rates, thus effectively ensuring the free movement of alcohol between the Member States.
2. The various sections in the motion for a resolution deal with the scope and introduction of the duty, the control of production and stocks, the control of movement, the collection of the duty, exports and imports, the procedure for introducing implementing arrangements (the Excise Committee), special provisions in the case of certain Member States, and the transitional and final provisions. It is not for the Committee on Agriculture, as the committee asked for an opinion, to consider in detail the proposed measures to harmonize structures.

The following comments are confined to these aspects of the proposal which relate to agricultural products.

3. The proposal provides for a reduced rate on flavoured and dessert wines, on the grounds that a substantial part of the alcohol contained in these beverages is accounted for by the basic wine which is not subject to this specific tax. It was decided, in this case, to tax the full amount of alcohol contained in the final product, thus conferring a slight advantage on basic wines with a low alcoholic content, which are cheaper than those with a high alcoholic content. The reduced rates will initially be fixed within a certain bracket, and converted into harmonized rates subsequently applicable throughout the Community.

The committee approves this solution, which appears to be realistic.

4. Alcohol intended for uses other than human consumption will be exempt from excise duty. As this duty is justified mainly on the grounds of public health, which make it advisable to tax alcohol intended for human consumption, it seems logical that alcohol intended for other uses should not be subject to this tax. There seems no reason why excise duty should be charged on the basic alcohol, which is subject to VAT, when it is not levied on other basic products.

Your committee is therefore in favour of this proposal.

5. In France, Germany and Luxembourg certain special provisions exist, in particular for home distillers. The proposal stipulates a transition

period of between two and five years in which these provisions would gradually be aligned with the rules generally applied. This mainly affects the small-scale rural distilleries, which use the income they derive from distilling to supplement their revenue, or distill for their private consumption. In principle the special tax arrangements accorded to these undertakings do not result in any distortion of competition, as they relate either to specific and clearly-defined local products, or to the distilling of alcohol for private consumption. Provided that they are accompanied by appropriate safeguards, the maintenance of such special provisions should not, therefore, jeopardize the neutrality of competition and the free movement of alcohol, which are the objectives of the proposal for a directive.

For this reason, the Committee on Agriculture proposes to the committee responsible that Articles 29 to 32 of the proposal be replaced by a new article with the following wording:

'Member States may enact special provisions departing from the present directive provided that their scope is exclusively local, that they entail neither a remission of export charges nor the introduction of import charges and that they have no unfavourable impact on conditions of competition'.

This condition would ensure that achievement of the objectives of the harmonization of excise duty on alcohol is not jeopardized.

6. Subject to the above remarks, the Committee on Agriculture approves the proposal for a directive.

2. on the proposal from the Commission of the European Communities to the Council for a directive on the harmonization of excise duties on beer

Draftsman of the opinion : Mr Henri CAILLAVET

On 19 September 1972, the Committee on Agriculture appointed Mr Caillavet draftsman of the opinion.

It examined the opinion at its meetings of 8 and 24 November 1972; the opinion on proposal 4/72-IV was adopted by 15 votes to 2.

The following were present: Mr Houdet, Chairman; Mr Richarts, vice-chairman; Mr Durieux (deputizing for the draftsman of the opinion); Mr Baas, Mr Brouwer, Mr Brugger, Mr Della Briotta, Mr Héger, Mr Kollwelter, Mr De Koning, Mr Lefèbvre, Mr Liogier, Miss Lulling, Mr Martens, Mrs Orth, Mr Riedel and Mr Vetrone.

Directive concerning a harmonized excise duty on beer

All the Member States, including the three new members, levy an excise duty on beer, although its incidence varies greatly from one country to another. Nevertheless, its average fiscal importance is much greater than that of the excise on wine. Moreover, each State must have a sufficiently wide range of fiscal instruments at its disposal to be assured of a certain flexibility in the management of its fiscal policy. For budgetary reasons, therefore, and in view of the flexibility of excise duties, the retention of this duty would seem advisable.

The tax should be levied on the finished product, according to the rules generally followed for all taxes on consumption, and not on the wort. It is evident that the taxation of a finished product conforms more closely to the principle of fiscal neutrality since the losses of raw materials during production vary appreciably according to the nature of the manufacturing plant and the production process.

As regards progressive rates of taxation designed to offer some protection to small-scale breweries, the solution proposed by the Committee on Budgets in the draft report by Mr Rossi - namely, the introduction of three stages of three years each for a gradual reduction of this privilege - should be adopted.

Finally, as regards the possibility of discrimination against third countries producing beers whose density lies between those laid down for the different categories in the Community, it should be recalled that the importation of any consumer product is governed by the laws on foodstuffs valid in the importing country. This principle is generally accepted by exporting countries.

Subject to these observations, the Committee on Agriculture gives its support to the proposal for a directive.

3. on the proposals from the Commission of the European Communities to the Council for

- a directive on the harmonization of excise duties on wine (Doc. 4/72-III)
- a directive concerning the system of duties to be levied on mixed beverages (Doc. 4/72-V)

Draftsman of the opinion : Mr Henri CAILLAVET

On 19 September 1972, the Committee on Agriculture appointed Mr Caillavet draftsman of the opinion.

It considered the opinions at its meetings of 8 and 24 November 1972, adopting the opinion on proposal 4/72-III by 10 votes to 4, with 3 abstentions, and the opinion on proposal 4/72-V unanimously.

The following were present: Mr Houdet, Chairman; Mr Richarts, Vice-Chairman; Mr Durieux (deputizing for the draftsman of the opinions); Mr Baas, Mr Brouwer, Mr Brugger, Mr Della Briotta, Mr Héger, Mr Kollwelter, Mr De Koning, Mr Lefèbvre, Mr Liogier, Miss Lulling, Mr Martens, Mrs Orth, Mr Riedel and Mr Vetrone.

Directive concerning a harmonized excise duty on wine

At present, excise duties on wine exist in France, Belgium, the Netherlands and Luxembourg, while they were abolished in Italy a few years ago. In Germany, only sparkling wine is subject to this duty. The Commission proposes, as part of the programme of harmonization of excise duties and charges with equivalent effect, to establish this excise duty throughout the Community.

The extension of this duty does not, however, seem justified, for the following reasons:

- a) the fiscal revenue from this duty is very small;
- b) the costs of collection are out of proportion to the revenue involved;
- c) wine and beer are mutually replaceable commodities only to a very limited degree. Their prices differ from one another considerably. In addition, account should be taken of widely varying habits of consumption;
- d) finally, to imagine that losses of public revenue following upon the general harmonization of excise duties can be compensated by introducing an excise duty on wine is little short of an illusion in view of the latter's meagre returns.

These are the principal reasons which prompt the Committee on Agriculture to support the conclusions of the Committee on Finance and Budgets, which considers that it would be better to abolish the excise duty on wine in all Member States where it exists.

The Committee on Agriculture therefore asks the Committee on Finance and Budgets, as the committee responsible, to propose in its motion for a resolution that this duty be abolished within two years in the Member States where it exists.

Directive concerning the system of excise duties to be imposed on mixed beverages

For reasons of competition, the establishment of a system of excise duties on these beverages seems advisable. Since it is not a matter of introducing a new duty but simply of determining the manner of taxing mixtures in which beverages subject to excise are ingredients, the Committee on Agriculture declares itself in favour of this harmonization in principle. It would, however, like to know to what extent these

beverages are economically important on the Community market, particularly with regard to trade within the Community, and also what the extent of public revenue to be expected from this measure might be.